R. J. REYNOLDS TOBACCO COMPANY

TAX DEPARTMENT

401 NORTH MAIN STREET
WINSTON-SALEM, NC 27102

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DATE: 5/21/98

SEND TO:
NAME: Nick Kuruc
COMPANY: RJRTC
LOCATION: Edison NJ
TELECOPIER NO.: (732) 417-9076

FROM:
NAME: Frank Skinner, Senior Tax Counsel
COMPANY: R. J. Reynolds Tobacco Company
LOCATION: Sixth Floor, Plaza Building
Winston-Salem, NC 27102
TELEPHONE NO.: (336) 741-0262
NO. OF PAGES: 2, including transmittal sheet.

INSTRUCTIONS: **Nick, Attached is a copy of the NJ letter. A copy has been faxed to Phil Daniel with the addressee, the salutation and the first sentence deleted. Brooks told me he could not send me a copy of the PM letter because of confidentiality constraints, so he readdressed the same letter to me.**

Please call (336) 741-3605, if the message received is incomplete or illegible.
Sending telecopier: (336) 741-0259; XEROX Telecopier 7033.
Thank you.

51850 0205

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State of New Jersey

DEPARTMENT OF THE TREASURY
DIVISION OF TAXATION
CN 269
TRENTON NJ 08646-0269

CHRISTINE TODD WHITMAN
Governor

BRIAN W. CLYMER
State Treasurer
In reply respond to:

P O Box 246
1-609-633-2576
FAX 1-609-292-9431

May 20, 1998

R. J. Reynolds
ATTN.: Frank Skinner - Tax Department
Tax Department
P. O. Box 2959
Winston-Salem, North Carolina 27102-2959

RE: Cigarette Promotions

Dear Mr. Skinner,

I am writing to you as a result of your recent telephone call to Harvey Brooks, Chief - Audit Services Branch.

As a result of global changes in the markets which set and control cigarette prices a manufacturer's promotion may inadvertently bring about a violation of the statutory and regulatory language of the State of New Jersey established by or pursuant to c. 247 of the laws of 1952, The Unfair Cigarette Sales Act. Pursuant to that act the Director of the Division of Taxation has determined that he is authorized to establish and publish "a minimum sales price below which, in the absence of proof of a lesser or higher cost of doing business, cigarettes may not be sold at both wholesale and retail." [N.J.A.C. 18:6-3.1(a)], and that "Any...thing of value given gratis or any payment made to a retailer or wholesaler by any manufacturer of cigarettes for display, advertising, promotional purposes or otherwise, is not to be used in determining the cost of cigarettes to the retailer..." [N.J.A.C. 18.6-7.6] and finally that "The total sale price displayed on any sign advertising cigarettes at wholesale or retail is never to be lower than the minimum price fixed by the New Jersey Unfair Cigarette Sales Act..." [N.J.A.C. 18.6-7.11 (c)].

As a consequence of the above regulatory understandings it is clear that no retailer in the State of New Jersey may sell or advertise for sale cigarettes at a price below the minimum retail sale price established by the Division of Taxation.

If you have any questions regarding this matter, please call me at 1-609-633-2576.

Very truly yours,

Geoffrey C. S. Marsh,
Assistant Chief - Audit Services Branch

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